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CURRENT INTELLIGENCE WEEKLY SUMMARY



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THE WEEK IN BRIEF**PART I****OF IMMEDIATE INTEREST****INDONESIA Page 1**

The Indonesian Government, which began military action against the Central Sumatran dissidents on 7 March, has so far completed several landings on Sumatra's east coast and has occupied the airport and town at the Caltex oil center of Pekanbaru. An attack on the west coast in the vicinity of Padang may occur soon. Prospects for agreement between President Sukarno and former Vice President Hatta for the latter's re-entry into the government seem largely to have vanished. Meanwhile, Czechoslovakia, Poland, and the USSR have indicated a willingness to supply arms and other military support to Djakarta. [REDACTED]

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MIDDLE EAST DEVELOPMENTS Page 2

Nasir is continuing his campaign against King Saud. The impact of these developments has been not only to undermine Saud's international position and prestige, but to add impetus to the gradually growing demand for internal reforms. Saud's troubles are likely to further weaken the position of the Iraqi-Jordanian federation [REDACTED]

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[REDACTED] In Lebanon, the cabinet has been reshuffled, but this probably will not result in a significant foreign policy shift. In the Sudan, the pro-Western party won the largest bloc of seats in the parliamentary election. [REDACTED]

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MOSCOW CONTINUES SUMMIT CAMPAIGN Page 4

Premier Bulganin's call for an early foreign ministers' meeting, contained in his 6 March letter to President Eisenhower and reiterated in Khrushchev's interview of 10 March, continues Moscow's efforts to focus attention on procedural arrangements for a heads-of-government meeting. In contrast to the USSR's earlier stands which opposed and then reluctantly accepted a procedural foreign ministers' meeting in response to Western "wishes," Khrushchev is now welcoming such a meeting, apparently in the expectation that pressure would thus be exerted on the West to forego its proposals for negotiations to clarify the nature and purpose of summit talks. [REDACTED]

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PART I (continued)

WESTERN EUROPEAN ATTITUDES ON SUMMIT PREPARATIONS Page 5

The latest East-West diplomatic exchanges appear to have eased popular pressure in Western Europe for quick acceptance of Soviet requests for summit talks. The NATO governments agree in principle that present Soviet conditions are unacceptable but there remain some differences of opinion on the basis for acceding to a meeting. The British Government, under severe attack from the Labor opposition, is inclined to relax Western conditions. [REDACTED]

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PART II

NOTES AND COMMENTS

NORTH AFRICAN SITUATION Page 1

The two dominant North African political organizations, the Moroccan Istiqlal and Tunisian Neo-Destour parties, are planning an early joint conference to discuss methods to bring about Algerian independence, a North African federation, and evacuation of foreign troops from North Africa. A federation was endorsed publicly last week by both the Moroccan King and Tunisian President Bourguiba. In France, in response to growing domestic pressures for a new approach, Premier Gaillard has proposed a Western Mediterranean Pact. Internationalization of the Algerian question is implicit in his proposal, but Gaillard is still subject to strong rightist pressure to maintain France's position in Algeria. The latest French proposals arranged through the good offices mission are likely to be unacceptable to Bourguiba. [REDACTED]

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ADENAUER MOVES TO END CDU FOREIGN POLICY DIFFERENCES . . . Page 2

West German Chancellor Adenauer's move to reschedule the Bundestag foreign policy debate, which Bundestag President Gerstenmaier had called off, is aimed at dispelling uncertainty resulting from recent conflicting foreign policy statements by various government officials. Adenauer, back from a five-week vacation, will try to restore the authority of much-criticized Foreign Minister Brentano, but is confronted with an increasingly rebellious Christian Democratic Union, which has been clamoring for the preservation of the appearance of flexibility. [REDACTED]

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PART II (continued)

COMMUNIST BIDS FOR NEGOTIATION OF FAR EASTERN ISSUES . . . Page 3

Seizing on the occasion of the SEATO meetings in Manila, the Sino-Soviet bloc has advanced a number of "peace" proposals on Asian issues and has mounted a new propaganda effort to discredit the United States in the area. The Communists have suggested an atom-free zone in Asia, a "collective treaty of peace," and negotiations on troop reductions in North and South Vietnam.

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YUGOSLAVIA SEEKS ENHANCED INTERNATIONAL PRESTIGE Page 4

Marshal Tito, stymied for some time in his efforts to play an influential role in world affairs, hopes by seeking participation in a summit conference to enhance his regime's prestige on the eve of national elections and a party congress. Yugoslav participation has been a major foreign policy objective since January, when Tito launched the idea of enlarging the talks to include some unattached states.

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EGYPTIAN LABOR Page 5

President Nasir's regime faces a continuing problem of popular resentment toward its labor and economic policies in Egypt while it devotes a major portion of its resources and attention to gaining foreign "victories." Nasir has found it necessary to suppress growing dissatisfaction on the domestic labor front and has forced the resignation of the pro-Western leader of the Egyptian General Federation of Trade Unions.

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EAST GERMAN WORKERS OPPOSE LABOR SPEED-UP Page 6

The East German regime's attempts to secure worker cooperation in the revision of work norms are encountering strong opposition. Party Secretary Ulbricht, willing to purge some of his ablest lieutenants last month to promote a harder economic line, now faces the likelihood of labor disturbances and further damage to the East German economy if he pursues the course to which he is publicly committed. He may have to accept only token norm revision as a face-saving device.

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USSR CONTINUES REVIEW OF INDUSTRIAL PLANNING AND SUPPLY . Page 7

Important questions involving the relationship between central planning organs and regional councils of national economy appear to remain unresolved after eight months of operation under Khrushchev's revamped industrial administration setup. Articles in the Soviet press suggest continuing attention is being paid to these questions, chiefly the coordination of planning and the flow

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PART II (continued)

of materials and supplies. Soviet leaders appear to be still reviewing their first half-year's experience with the new administrative system in their attempts to develop practical solutions to the problem of stimulating local initiative while maintaining centralized planning control.

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NORTH KOREA ANNOUNCES FIRST FIVE-YEAR PLAN Page 8

North Korea's First Five-Year Plan (1957-61) provides for a continued emphasis on heavy industry and schedules an annual growth in industrial production of nearly 22 percent. The plan, published on 3 March 1958 after 14 months of the plan period had elapsed, sets goals that appear out of reach without considerable additional aid from the rest of the bloc.

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LOCAL PARTY LEADERS PURGED IN EAST CHINA PROVINCE Page 10

The expulsion from the Chinese Communist party on 9 March of four top-level officials in Anhwei Province continues Peiping's methodical campaign to purge unreliable elements and to tighten discipline in the ranks. In other provinces additional local party leaders, especially those connected with the courts and public security organs, are expected to be expelled in the next few months.

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JAPANESE GOVERNMENT FACES PROBLEM ON TRADE ACCORDS WITH PEIPING Page 11

The recent signing in Peiping of controversial trade accords--one a one-year pact for \$100,000,000 in trade each way and the other a five-year pact for \$280,000,000--confronts the Kishi government with a major policy decision regarding Communist China. Although the trade agreement and memorandum for exchanging trade missions were negotiated by private Japanese interests, they require official approval, which if granted would establish quasi-diplomatic relations between Tokyo and Peiping. Tokyo will probably be forced to make concessions in an attempt to satisfy strong pressures in Japan for increased trade with China.

SHAKE-UP EXPECTED IN CHINESE NATIONALIST GOVERNMENT Page 12 25X1

Revelation of the Kuomintang's profiteering from manipulation of foreign exchange controls will add to pressures for a shake-up in the economic sections of the Chinese Nationalist Government. An intention to abolish certain government agencies has already been announced, and a cabinet reshuffle may occur by late spring.

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PART II (continued)

PAKISTANI GOVERNMENT FACES NEW THREATS IN PROVINCIAL ASSEMBLIES Page 12

Pakistani Prime Minister Noon's Republican government, having successfully survived the budget session of the National Assembly, faces new threats in East and West Pakistan provincial assembly meetings. Political realignments in the West Pakistan Assembly could threaten the balance of power in Karachi, but attacks on Noon's supporters in East Pakistan seem less likely to be similarly effective. [REDACTED]

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SUSPENSION OF CONSTITUTIONAL GUARANTEES IN CUBA Page 13

Cuban President Batista's 45-day suspension of constitutional guarantees on 12 March may provoke the most serious threat to his regime since the abortive naval uprising at Cienfuegos last September. Since electoral campaigning is impossible during the period of suspension, the 1 June general elections will have to be postponed, possibly until November. [REDACTED]

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DIFFICULTIES MOUNT FOR PERUVIAN GOVERNMENT Page 14

Serious rioting in Lima on 7 March highlights the mounting difficulties which beset Peruvian President Prado's 20-month-old attempt at democratic government. The economic stability which has prevailed in Peru in recent years is threatened by worsening economic conditions which are reflected in the accelerating depreciation of the Peruvian currency. [REDACTED]

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POLITICAL AND ECONOMIC DISCONTENT GROWING IN ERITREA . . . Page 15

Growing economic and political discontent in Eritrea--federated with Ethiopia in 1952--is re-elected by the popular support for a general strike called on 10 March. Political opposition to Ethiopian domination has been growing within the past six months, and there have been several anti-Ethiopian demonstrations. [REDACTED]

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PART III

PATTERNS AND PERSPECTIVES

KHRUSHCHEV'S AGRICULTURAL REORGANIZATION Page 1

Khrushchev's forthcoming reorganization of the machine tractor stations by the transfer of the ownership of agricultural machinery to collective farms will be the most extensive organizational change in Soviet socialized agriculture since its establishment in the 1930's. Some net gain in efficiency will probably result as cross-purposes and duplications of effort under the old system are eliminated. The plan seems out of reach from attack on political grounds alone, having been approved by the party central committee, but may still be subjected to foot-dragging and sniping. [REDACTED]

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NEW EFFORT TO BRIDGE SOCIALIST-COMMUNIST GAP IN FRANCE . . Page 4

The recent creation of the Union of the Socialist Left may be the most important postwar effort to unify a number of heretofore scattered elements of the French far left and to ally them with the French Communist party. The new organization may be exploited by the Communists in their drive for unity of all left-wing parties. Long-standing differences among the union's members will probably limit its effectiveness, but its announced policies have a strong potential appeal to left-wing opinion in France, particularly on North Africa, missile bases, and internal social problems. [REDACTED]

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INDIA'S CONGRESS PARTY ONE YEAR AFTER NATIONAL ELECTIONS . Page 7

Lethargy and factionalism continue to be the main weaknesses of Nehru's Congress party and detract from the popularity the party might otherwise obtain for its noteworthy achievements in expanding India's economy and extending Indian influence in international affairs. Despite pleas made by party leaders over the past two years to rejuvenate provincial party organizations, almost no progress has been made, and the hard-working opposition parties are steadily making inroads into Congress territory. [REDACTED]

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PART III (continued)

INTENSIFIED SOVIET ECONOMIC INTEREST IN SOUTH AMERICA . . Page 10

The Soviet Union in recent months has appeared intent on exercising a direct influence in South America, primarily through increased economic activity. Soviet moves in South America, to date principally designed to exploit the area's intensified economic problems, have been far less extensive than in the Middle East or Asia, but they probably are forerunners of an expanded campaign. Soviet objectives in South America are to weaken the influence of the United States, expand diplomatic and commercial relations, and lay the groundwork for eventual Soviet political and ideological gains.

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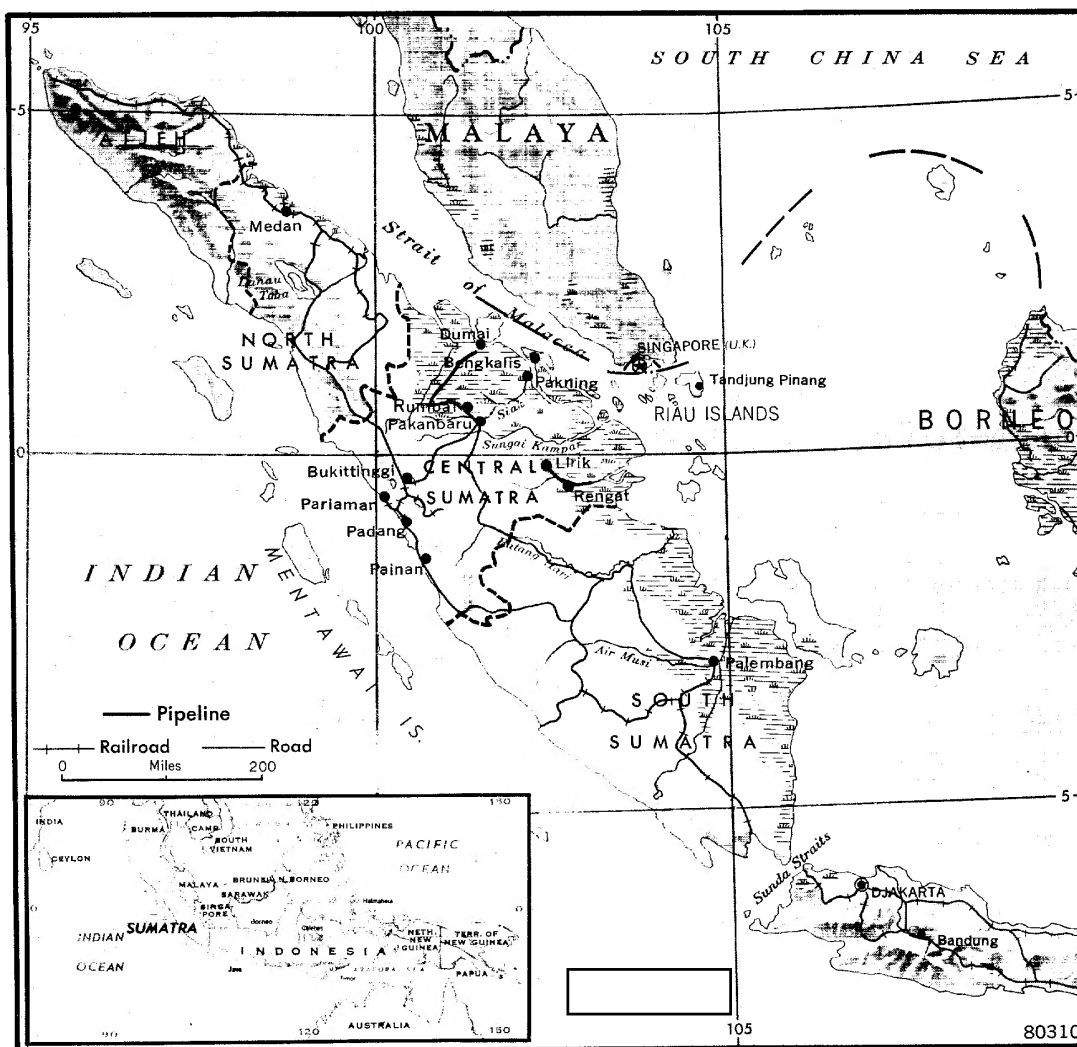
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PART I
OF IMMEDIATE INTEREST**INDONESIA**

Military action by the Djakarta government to subdue the Central Sumatran dissidents began on 7 March with landings on the east coast island of Bengkalis. Other landings on 10 March secured the east coast points of Pakning, Dumai, and Selat Pandjang, thus giving the government control of the ap-

proaches to the Siak River. On 12 March, following the bombing of the airfield at Pakanbaru, the Caltex oil center, para-troops occupied both the airfield and the town. Coincident with these operations was the movement of an additional force up the Siak River toward Pakanbaru.



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At last report government troops had begun clearing operations on the road leading to the dissident center of Padang.

an all-out effort is scheduled for 16 March, presumably to include landings on the west coast in the vicinity of Padang. President Sukarno is to make a major speech in Bandung on the same day.

In preparation for such an attack, the government may be using the Mentawai Islands off the west coast as a staging area. Djakarta, probably in order to neutralize forces in North Sumatra which are sympathetic to the dissidents, is also alleged to be reinforcing its strength in the Medan area. Light bombing and naval shelling by government forces of both Central Sumatran and North Celebes targets have continued during the past week.

President Sukarno and Army Chief of Staff General Nasution are committed to a policy of force and to an uncompromising

attitude toward dissident leaders. In this they have the strong support of the Communist party. Non-Communist party leaders who have worked for a peaceful solution of the problems are now largely silent. Sukarno is making a tour of Java and South Celebes to explain and stimulate popular support for the government's military campaign.

Former Vice President Hatta, who had earlier exhibited a reluctant willingness to re-enter the government if agreement could be reached with President Sukarno, has now indicated that as long as force is being used there is no basis for compromise. There is some reason to believe that Hatta may soon be taken into "protective custody" by the military.

The province of South Sumatra remains neutral. Political and military leaders there are exerting pressure on both sides to cease military action and negotiate some sort of settlement.

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MIDDLE EAST DEVELOPMENTS

UAR President Nasir is continuing the propaganda campaign he and Syria's Colonel Sarraj launched last week against King Saud. The press in Egypt, Syria,

and Lebanon has published alleged photostatic reproductions of the checks with which Saud is said to have paid off Sarraj. Saud is also now being charged

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with past misdeeds, such as influencing the Lebanese parliamentary elections last summer. Such a direct attack on the King would have been unthinkable a few months ago, and is an indication of how far Saud's stock has fallen with the Arab public.

The Egyptians might seek to exploit disagreement with Saud's policies which has been expressed by Saudi princes, notably by Minister of Interior Abdullah Faysal and more indirectly by his father, Crown Prince Faysal. Abdullah Faysal left Saudi Arabia on 3 March for Europe for "health" reasons; he stopped off in Egypt en route, however, and could act as an intermediary between the Egyptians and disgruntled Saudi elements.

Nasir's propaganda has also returned to its charges against Iraq. The Cairo press on 12 March "discovered" that Selwyn Lloyd's visit to Baghdad en route to the SEATO conference was for the purpose of putting the finishing touches on a British conspiracy with Iraq, Israel, and the United States.

In a blow which is aimed especially at Jordan's King Husayn, the Egyptian authorities are scheduled on 15 March to institute a new legislative council in the Gaza strip. In connection with this move, reports persist that the first duty of the new council will be to respond to the "request" of Palestinian refugees in Syria that Palestine be included in the United Arab Republic.

The major impact of this development, if Nasir chooses to play it up, would be on the half million Arab refugees in West Jordan who have never fully accepted Jordan's annexation of this territory in 1950 and who

look forward to the re-creation of an Arab Palestine state. In a complementary development, Israeli Arab Communists have split from the Jewish leadership of the Israeli Communist party and may be initiating a "national liberation" movement among the 200,000 Israeli Arabs.

Lebanon's pro-Western cabinet resigned on 12 March in order to provide for a reshuffle. Prime Minister Sami Solh is expected to preside over the new government, which may be expanded to enlist more supporters for President Chamoun's second-term ambitions. Foreign Minister Charles Malik, long identified as the outstanding proponent of forthright pro-Western policies, may be dropped as too much of a domestic political liability in an election year, but no significant policy shift is likely at this time.

Returns from the Sudan's parliamentary elections indicate a victory for 70-year-old pro-Western Prime Minister Khalil's Umma party, which will be the largest single party in the new house although it will not command a majority. Khalil has announced he will seek to continue the coalition he formed when his forces overthrew former Prime Minister Azhari.

Out of 173 seats in the new body, the Umma has at least 59 and possibly more than 70, depending on how many successful "independents" decide to align with it. The pro-Egyptian National Unionist party emerged with about 45 seats; it will probably make a major effort to buy more adherents from among the independents. Clearer party lines will emerge by 20 March when the first session of the new parliament begins.

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MOSCOW CONTINUES SUMMIT CAMPAIGN

Premier Bulganin's call for an early foreign ministers' meeting, contained in his 6 March letter to President Eisenhower and reiterated in Khrushchev's interview of 10 March, continues Moscow's efforts to focus attention on the procedural arrangements for a heads-of-government meeting.

In contrast to the USSR's earlier stands which opposed and then reluctantly accepted a procedural foreign ministers' meeting in response to Western "wishes," Khrushchev is now calling for such a meeting, apparently in the expectation that pressure would thus be exerted on the West to forego its proposals for negotiations to clarify the nature and purpose of summit talks.

Bulganin's letter contended that as "agreement in principle" has been reached to hold a heads-of-government conference, all that remains is to concentrate "joint efforts on practical preparations." The Soviet premier urged that the foreign ministers meet in April in order to establish the agenda, composition, place, and date for a heads-of-government conference. Khrushchev declared at a reception on 11 March that Soviet leaders would be agreeable to holding summit talks in Washington.

Bulganin's letter stated that the USSR is ready to meet the West "halfway" on the matter of a foreign ministers' meeting. It failed to demand--as did the aide-memoire presented to Ambassador Thompson on 28 February--that such a meeting be confined to the "organizational side" of preparations for summit talks. In a 10 March interview with Polish journalists, however, Khrushchev repeated the Soviet view that the foreign ministers

"should not discuss the questions on their merits" but should restrict themselves to "organizational preparations."

The Soviet position on a foreign ministers' meeting--providing it is confined to procedural preparations--has now been completely reversed. In his January and February letters to President Eisenhower, Bulganin rejected such a meeting on the grounds it might create "obstacles" to holding a summit conference.

Following the Western agreement on 11 February that preparations for summit talks could be arranged through diplomatic channels without a session of the foreign ministers, Moscow abandoned its adamant opposition in its 28 February aide-memoire in response to the "wishes" of Western governments. Now, in his interview, Khrushchev is calling for a foreign ministers' meeting over "secret" negotiations, through diplomatic channels, inasmuch as a foreign ministers' session "must be scheduled for some date" and its progress can be "followed by the public."

Bulganin's letter did not propose a list of participants for a foreign ministers' conference. Soviet diplomatic officials have continued to hint that Moscow is willing to compromise on the matter of membership of a foreign ministers' meeting. On 4 March a Soviet embassy official in East Berlin stated--apparently intending that his remarks reach Western governments--that the USSR is prepared to agree to a four-power foreign ministers' meeting instead of a broader meeting with neutralist participation, provided the West does not insist on discussing German reunification.

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WESTERN EUROPEAN ATTITUDES ON SUMMIT PREPARATIONS

The latest East-West diplomatic exchanges appear to have eased popular pressure in Western Europe for quick acceptance of Soviet requests for summit talks. There is considerable difference of opinion among the NATO governments on the basis for acceding to a meeting, but they agree in principle that present Soviet conditions are unacceptable.

Most of the non-Communist press in the European NATO countries now supports the United States' insistence on careful preparations. There is, nevertheless, widely expressed concern that the West make further efforts to appear "prosummit"; an Oslo paper which reflects the government's views complains, for example, that the Western powers leave the impression they want to "wriggle out" of a conference.

Popular demands for summit talks remain high in Britain. The Labor party - trade union joint campaign launched on 6 March for nuclear disarmament and "disengagement" in central Europe promises to keep up pressure on the unpopular Macmillan government. Labor's "shadow" foreign secretary Bevan recently charged that if rejection of Moscow's latest proposals blocks summit talks, Washington must bear the sole blame. The government publicly endorses Washington's view but privately argues for relaxing conditions for a conference and would, for example, offer little objection to parity of East-West representation at

the summit. By announcing that Defense Minister Sandys will visit Moscow later this spring, the government is at the same time endeavoring to show the public that it is keeping contact with Moscow.

In Paris, also, the tendency among government leaders to push for summit talks has caused some pessimism among the career officials at the Quai d'Orsay.

The Italian Government tends to insist on adhering closely to firm preconditions. It is anxious that its allies not help create an atmosphere of international detente which could favor the Communists in the forthcoming Italian elections.

Preliminary discussions in the North Atlantic Council on consolidating the Western position in the face of divergent Soviet overtures show agreement that any summit agenda must allow for discussion of German reunification. Bonn Foreign Ministry officials have stated that inclusion of the topic of Germany, without specifying reunification, might suffice. The special eight-member NATO committee on procedures for a possible summit meeting began functioning on 10 March to work out a more united approach on other issues. Secretary General Spaak expressed impatience at the time it will take to reach an agreed position for preliminary negotiations with the USSR.

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PART II

NOTES AND COMMENTS

NORTH AFRICAN SITUATION

The two dominant North African political organizations, the Moroccan Istiqlal and Tunisian Neo-Destour parties, are planning to hold an early joint conference to discuss methods to bring about Algerian independence, a North African federation, and the evacuation of foreign troops from North Africa. Federation of the historic Maghreb--Tunisia, Algeria, and Morocco--long the dream of North African political philosophers, particularly Tunisian President Bourguiba, was endorsed publicly last week by both the Moroccan King and Bourguiba.

Prompt approval of North African federation by both moderate leaders may have been an effort to utilize the growing opposition within both Morocco and Tunisia to further conciliation with France, to press toward Algerian independence, and to counter the recent rise in Egyptian prestige and popular interest in the United Arab Republic.

Mehdi ben Barka, acting secretary general of the Istiqlal party and president of the Moroccan Consultative Assembly, claims to have inspired the Istiqlal communiqué of 2 March stating that the time had arrived to "study ways to reinforce Maghreb solidarity with a view to the establishment of an authentic union." The King was thereby impelled to endorse a concept for which he may have little personal enthusiasm.

Seizing on Istiqlal's initiative, the Neo-Destour party immediately proposed a meeting to "arrive at principles and

means of action" and an Istiqlal representative was expected in Tunis soon to help arrange for the meeting of political leaders of the two countries. When held, such a conference almost certainly will include Algerians as observers if not participants.

The press in both Morocco and Tunisia has seized on the federation idea, which has also given impetus to the formation of North African labor and youth organizations. The Tunisians, sensitive to Morocco's "go-it-alone" policy, resentful of lagging Moroccan support in the United Nations, and embarrassed at being the principal champion of Algerian independence, are elated at the prospect of coordinated action.

The latest French proposals arranged through the good offices mission are likely to be unacceptable to Bourguiba, who maintains his previous position that Paris must agree in principle to evacuation of Bizerte and to internationalization of the Algerian conflict. Bourguiba is most desirous of a tangible evidence of French good will, such as withdrawal of French troops from southern Tunisia to Bizerte by 20 March, the anniversary of Tunisian independence.

Gaillard's Position

Premier Gaillard has proposed a western Mediterranean pact, which may lead to a shift in France's Algerian policy. Internationalization of the Algerian question is implicit in his proposal and there is growing domestic pressure for a change. Nevertheless, Gaillard is still subject to strong

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rightist pressure to maintain France's position in Algeria and to hold to stiff terms for a solution of the Tunisian problem.

Gaillard's proposal has aroused little enthusiasm in North Africa. Paris is still avoiding considering a change in Algeria's legal status and apparently hopes, without clarifying its policy on the future of Algeria, to interest Morocco and Tunisia in the prospect of mutual exploitation of Saharan resources.

There are signs in Paris that a wider range of interests now may be willing to press for a switch from the pacification program. The Catholic "Mission in France," headed by the president of the French Assembly of Cardinals and Archbishops, has recently called for an end to the war and questioned France's right to block the independence of Algeria. Business interests are becoming increasingly alarmed over the freeze on industrial expansion resulting from the war-imposed credit restrictions. Their uneasiness may be increased by the report issued by the government giving for the first time official figures of the cost of the war. Its estimate of \$950,000,000 per year is con-

servative, but is sufficiently high to cause businessmen some second thoughts.

There has been no letup in pressure for a change within the left wing of Gaillard's coalition. Socialist leader Guy Mollet is reported to be increasingly concerned over Minister for Algeria Lacoste's rigid position. Both Mollet and Independent leader Duchet are also alarmed over the prospect that General de Gaulle's chances for investiture as premier may be increasing, and they have agreed to sustain Gaillard as long as possible to avoid opening the way for De Gaulle's return.

Nevertheless, Premier Gaillard continues to face strong opposition to any major policy change. His defense minister, Jacques Chaban-Delmas, a major spokesman for rightist interests, has grudgingly accepted Gaillard's present offer for a Tunisian settlement, but he can be expected to support any outcry by the military over Bourguiba's continuing efforts to inject the Algerian issue into the Tunisian negotiations. Chaban-Delmas' ex-Gaullist Social Republican party has already launched an attack on the Mediterranean pact proposal.

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ADENAUER MOVES TO END CDU FOREIGN POLICY DIFFERENCES

West German Chancellor Adenauer's move to reschedule the Bundestag foreign policy debate, which Bundestag President Gerstenmaier had called off, is aimed at dispelling uncertainty resulting from recent conflicting foreign policy statements by various government officials. Adenauer, back from a five-week vacation, will try to restore the authority of much-criticized

Foreign Minister Brentano, but he is confronted with an increasingly rebellious Christian Democratic Union (CDU), which has been clamoring for the preservation of the appearance of flexibility.

The rash of comments on unification and security plans by CDU spokesmen not connected

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with the Foreign Ministry was stimulated by the general expectation of a summit conference, as well as by underlying fears that the proposal for IRBM bases in West Germany or nuclear weapons for the West German forces might jeopardize chances for German unification.

Some of the suggestions, such as Gerstenmaier's idea that if Moscow will not discuss unification at a summit meeting, a German peace treaty might be discussed instead, seem on the surface to involve primarily tactics. [REDACTED]

[REDACTED] Defense Minister Strauss, while in Washington, publicly accepted the possibility of nonalliance.

Such deviations from the standard CDU position explain reported stormy discussions between Adenauer and his party leaders as they made plans to hold the Bundestag debate on 20 March.

Many CDU politicians feel the West must come forth with some new ideas to break the international stalemate. Defense Minister Strauss seems to have

the additional motive of deliberately undermining Foreign Minister Brentano in the same way he undermined his predecessor, former Defense Minister Blank.

A crisis, probably leading to policy changes, would undoubtedly ensue if the various unorthodox ideas--East - West German confederation, atom-free zones, and nonalliance--put forth recently by CDU politicians were merged into a common doctrine accepted by a substantial segment of the party. In each case, however, the politicians have been careful not to suggest plans which could be accepted in toto by Moscow without major Soviet policy changes.

With several state elections this year, the government will not try to discourage the idea that it can be flexible, especially where unification is concerned. In any case, the government would have a hard time silencing all the advocates of change. While Adenauer remains in control, however, the government's official position is almost certain to revolve around the familiar concept of the Federal Republic as part of a strong West until Germany can be reunited.

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COMMUNIST BIDS FOR NEGOTIATION OF FAR EASTERN ISSUES

Seizing on the occasion of the SEATO meetings in Manila, the Sino-Soviet bloc has advanced a number of "peace" proposals designed to appeal to Asian neutrals in conjunction with a propaganda campaign to discredit the United States in the area. A major Communist objective appears to be the development of international, par-

ticularly Asian, support for efforts to eliminate the nuclear threat in the Far East.

Peiping officially committed itself on 10 March to the idea of an atom-free zone in Asia and called for a "collective treaty of peace" in the Orient. Both ideas received Moscow's endorsement in a TASS

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statement on 8 March. Like the TASS announcement made on the eve of the Baghdad Pact meetings in January, this one was apparently intended to discredit a forthcoming meeting, this time the SEATO conference in Manila. TASS warned that SEATO states lay themselves open to retaliatory action if they permit nuclear and rocket bases to be established on their territory. Peiping echoed the warning on 10 March, declaring that SEATO countries would be exposed to "inestimable damage."

By promoting a "collective treaty of peace," Peiping probably hopes to stimulate demand for high-level international talks on area issues. The Chinese earlier had suggested that the United States, the USSR, Communist China, and Japan be signatories to such a treaty, which might be broadened to include India, Indonesia, and other Asian countries. Moscow lent its support to Chinese ambitions for participation in such international talks when it suggested last month that a "conference of interested states" be convened to discuss the Korean problem. The Soviet Union has not, however, proposed the inclusion of Communist China in a heads-of-government meeting, presumably because this might detract from Soviet efforts to win Western agreement for summit talks.

In their diplomatic and propaganda offensive to promote a negotiated settlement of Asian issues, the Communists seem to be giving fairly high priority to Vietnam. President Diem in Saigon claims to have intelligence that an international Communist-inspired campaign is being mapped to bring about the unification of Vietnam. On 9 March, Peiping endorsed a North Vietnamese proposal calling for early North-South talks covering troop reductions and trade negotiations. Peiping portrays this gesture as one which will "promote the peaceful unification of Vietnam," and charges that American "intervention" in the South obstructs this end. The Communists also aim at undermining the American military aid program. Peiping asserted that the build-up of South Vietnamese forces causes it "grave concern" as a signatory of the Geneva agreements and as a "close neighbor" of Vietnam.

Peiping has made a similar proposal in regard to Korea, where important objectives appear to be the elimination of a nuclear capability in South Korea and suspension of the program to modernize Syngman Rhee's forces.

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YUGOSLAVIA SEEKS ENHANCED INTERNATIONAL PRESTIGE

Marshal Tito, stymied for some time in his efforts to play an influential role in world affairs, hopes by seeking participation in a summit conference to enhance his regime's prestige on the eve of national elections next week and a party congress

in April. In the past, Tito's ability to play an international role of some importance has helped to rally popular support for his regime.

Yugoslav participation in a summit meeting has thus been

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a major foreign policy objective since January, when Tito launched the idea of enlarging the talks to include some unattached states. Subsequent Yugoslav propaganda has emphasized Yugoslav approval of summit talks and the contribution that such states as India, Yugoslavia, and Sweden could make.

In a campaign speech on 9 March, Yugoslav Foreign Minister Popovic virtually demanded a place at both an East-West foreign ministers' meeting and any summit talks, on the strength of Yugoslavia's "stubborn and consistent" efforts to remove East-West tensions. Tito's ambassadors in London and Washington recently made high-level demarches to propose Yugoslav attendance at summit talks. They pointed out that Belgrade did not favor a large meeting, but one limited to several responsible representatives from East and West and from one or two unattached states.

Belgrade for the present has apparently had to abandon efforts to create a "third force" of uncommitted states to bring pressure on the West for a summit meeting. Tito had envisioned Yugoslav leadership in such a grouping as a way to strengthen his international prestige, but Indian reluctance apparently has frustrated his efforts. He knows his chances of attending a high-level international conference depend on Western concurrence and he is therefore refraining from further open criticism of Western hesitancy regarding summit talks.

Popovic reportedly has declared that Belgrade would favor a foreign ministers' meeting that would discuss not only organizational matters, but also some substantive matters. Although this appears to be a concession to the West, Yugoslavia's foreign policy on major issues continues to parallel that of the USSR.

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EGYPTIAN LABOR

President Nasir has found it necessary to suppress growing dissatisfaction on the labor front in Egypt at the same time that his regime is urgently occupied with external problems related to the new United Arab Republic. His most recent move was to have the regime's new labor czar, Major Ahmad Abdallah Tuaymah, force the resignation on 26 February of Anwar Salaama, the generally pro-Western president of the Egyptian General Federation of Trade Unions.

Tuaymah, a former official of the disbanded Liberation Rally and now assistant secretary general of Egypt's only

political party, the National Union, reportedly told Salaama that he must make way for a planned merger of Egyptian and Syrian unions. The demand probably was prompted by the regime's fear that Salaama's popularity among the discontented Egyptian workers might endanger its security.

Salaama still retains the presidency of Egypt's Chemical and Petroleum Workers' Federation (CPWF), which is affiliated with the International Confederation of Free Trade Unions (ICFTU). However, the regime is not likely to leave him in any position of authority where he

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might be a potential leader of opposition to government domination of Egyptian labor.

Salaama's forced resignation has probably added to popular resentment against the regime's labor and domestic economic policies. Antiregime sentiment among the unions had already developed as a result of government prohibition of strikes, by which the workers had hoped to gain the wage increases they urgently need to meet Egypt's mounting living costs. Present anti-Nasir feeling among the workers is reported to be the highest since the revolution in 1952, but apparently no union leader dares allow any organized display of

opposition to the regime. A strike among the vitally important pilots and employees of the Suez Canal Authority may result, however, from the government's failure to live up to its long-standing promises of higher pay.

The regime maintains its ability to counter any show of strength that labor might attempt. Nevertheless, the labor movement will probably require constant surveillance by the regime at a time when Cairo faces a continuing problem of providing "bread and beans" at home while devoting a major portion of its resources and attention to gaining foreign "victories."

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EAST GERMAN WORKERS OPPOSE LABOR SPEED-UP

The East German regime's efforts to secure worker cooperation in the revision of work norms are encountering strong opposition from labor. Party Secretary Ulbricht, willing to purge some of his ablest lieutenants last month to promote a harder economic line, now faces the likelihood of labor disturbances and further damage to the East German economy if he pursues the course to which he is publicly committed.

The campaign to accustom the East German worker to the idea of higher work norms has been under way for some time; norms have long been pegged to a very low level of output. The result has been that bonuses for exceeding the norms have become a permanent part of the

workers' take-home pay, often more than doubling the base pay. In the past, East German workers have generally been successful in keeping their norms low against regime efforts to lower production costs by cutting into their bonus pay, but their suspicions have again been aroused by a renewed campaign to increase labor productivity, a Communist euphemism for a labor speed-up.

Since Ulbricht ousted his more moderate opponents, the workers have frequently been enjoined to toil "more productively and more cheaply," and a general campaign has been launched to secure worker consent to an increase in the daily production quota per person and to induce groups and firms to

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launch work competitions. Workers are not impressed with the assurance that norm and wage revisions are to be worked out "democratically" and not imposed by administrative fiat as in 1953.

According to the American Mission in Berlin, hostility to the regime is increasing and the workers' attitude to across-the-board norm increases is comparable to the feeling prevalent just before the June riots in 1953. Thus, the vigor of worker opposition to norm increases may again deter Ulbricht from rigorously applying his harder line to labor, as was the case in June 1953.

Ulbricht's willingness to purge some of his ablest colleagues for opposing his policies indicates he would surrender the program only to the accompaniment of face-saving expedients, and only if it became clear that enforcement of the speed-up would jeopardize the economic plan for 1958, engender more strikes and labor outbreaks, and increase the flight of valuable workers and farmers to the West. Should outbreaks occur, they could be contained by the 22 Soviet divisions in East Germany, but the economy would take a serious loss. (Prepared by

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ORR)

USSR CONTINUES REVIEW OF INDUSTRIAL PLANNING AND SUPPLY

Important questions appear to remain unresolved after eight months of operation under Khrushchev's revamped industrial administration setup. Despite the above-plan performance of the economy in 1957, articles in the Soviet press suggest continuing attention is being paid to these questions, chiefly the coordination of planning and the flow of materials and supplies. The Moscow meeting in February of party, planning, and regional leaders, including the chairmen of the councils of national economy (sovnarkhozy), was accorded only the briefest publicity, suggesting that the Soviet leaders have not yet reconciled divergent viewpoints expressed by sovnarkhoz and Gosplan leaders as to how best to utilize local initiative while maintaining centralized control of planning.

In January, editor Goncharov of the Industrial-Economic Gazette told American attachés in Moscow that the supply and sales departments of ministries which had been "temporarily" merged under USSR Gosplan last summer were still functioning there. The retention of the sales departments under Gosplan was prolonged for at least several months by a decree at the beginning of 1958. Goncharov implied that supply departments also were continuing to operate under Gosplan, although perhaps without explicit legal status. The journalist said he doubted that these departments would be abolished and their functions transferred to the sovnarkhozy because this would encourage localism. Nevertheless, such a move was proposed at about the same time by a sovnarkhoz official, writing in the leading party journal Kommunist.

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Sovnarkhozy officials have raised other questions about the relation of the sovnarkhozy to the central planning apparatus. They object to the length of time required to clear regional plans through Gosplan, complaining that Gosplan is organized functionally instead of territorially, thus necessitating many separate sovnarkhoz contacts in Gosplan to coordinate a single regional economic plan.

Party presidium member F. Kozlov was perhaps responding to such criticism when he stated at the end of January that the RSFSR Council of Minister "recognized the necessity of establishing in RSFSR Gosplan a series of territorial departments according to economic zones." But at the same time Kozlov stressed the importance of integrated branch-of-economy planning.

Specific action changing present planning methods in the RSFSR may await acceptance

of a recommendation by a commission of the USSR Gosplan that the USSR be divided into 25 planning zones. These zones, different from the present 102 economic-administrative regions under the sovnarkhozy, apparently would replace the existing 13 basic economic areas used by Gosplan for planning purposes.

Resolution of these planning and supply questions will involve striking a balance between the requirements of central control for effective economic planning and the necessity for permitting sufficient operational leeway to induce local initiative to spur productivity. In both the planning and supply questions the dilemma of "democratic centralism" confronts the decision makers. Thus far, however, the Soviet leaders have managed to avoid precipitate and unduly disruptive solutions induced by a "compulsion to resolve" the problems--one way or another.
(Prepared by ORR)

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NORTH KOREA ANNOUNCES FIRST FIVE-YEAR PLAN

The draft of North Korea's First Five-Year Plan (1957-61) provides for a continued emphasis on heavy industry and schedules an annual growth in industrial production of nearly 22 percent. The plan, published on 3 March 1958 after 14 months of the plan period had elapsed, sets goals that appear out of reach unless considerable additional aid becomes available from the rest of the bloc.

Although the plan calls for the "basic solution" of the problem of food, clothing, and housing, heavy industry clearly

is given priority. Investment funds are to be increased by "every possible means." Retention of the policy of priority development of heavy industry marks a victory for Premier Kim Il-sung, who admits he has met opposition from a group which wanted to increase production and imports of consumer goods.

Approximately \$1.2 billion --computed at the nominal exchange rate of 120 won to the dollar--is earmarked for state investment in capital construction. More than half the funds

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for investment will go into industry, and heavy industry will get the lion's share--83 percent. Investment in heavy industry will be mainly directed toward the development of the power, coal, metallurgical, mining, machine building, and chemical industries.

Under the plan, most industries, having already rebuilt and enlarged facilities damaged during the war, are called on to construct new facilities. The iron and steel industry is to boost capacity to almost two-and-a-half times the 1957 level. The nonferrous metal industry--potentially North Korea's biggest earner of foreign exchange--will be expanded, and new commodities such as nickel metal and molybdenum will be produced.

Rehabilitation of hydroelectric power plants is to be completed--including that of the big Supung plant on the Yalu River. Thermal power plants with a total capacity of 100,000 kilowatts are scheduled to be constructed, along with several new hydroelectric projects. The machine building industry is to emphasize the development of medium- and small-scale plants.

Development of light industry will be concentrated in the synthetic fiber and food processing industries. Housing construction will be allocated about 14 percent of the funds allotted to capital construction.

The draft plan for agriculture envisages a 30-percent increase in grain production--a target exuberant cooperative members have already pledged to exceed--and an almost sevenfold increase in meat production. Pyongyang apparently is placing most of the burden for capital improvement in rural areas on the cooperatives, although the

state will build some of the larger irrigation projects and will supply more chemical fertilizer, insecticides, and improved seeds.

Pyongyang is doubtless buoyed by the economic successes of 1957, when reconstruction aid totaling about \$750,000,000 supplied by the bloc since 1953

NORTH KOREAN ECONOMIC PRODUCTION

(METRIC TONS EXCEPT WHERE NOTED)

	1956 CLAIM	1957 CLAIM	1961 GOAL
PIG IRON	188,000	270,000	700,000
STEEL	190,000	277,000	670,000
ELECTRIC POWER BILLION KWH	5.1	6.9	9.7
COAL	4,000,000	5,000,000	9,500,000
CHEMICAL FERTILIZERS	197,000	327,000	630,000
CEMENT	600,000	895,000	1,750,000
FABRICS YARDS PER CAPITA	-	10.93	19.68
FISH	364,000	564,000	620,000
GRAIN	2,870,000	3,200,000	3,760,000
HOGS HEAD	700,000	1,340,000	2,000,000
FREIGHT CARS UNITS	0	"limited production"	850

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began to bear fruit. The goals of its five-year plan appear unattainable, however, unless important new sources of foreign credit become available. North Korea's budget for 1958 shows a sharp decline in revenue from foreign aid--down to about \$4,-600,000--but unpublicized aid has been received before, and Pyongyang's economic planners may see more aid from the bloc in the offing. In 1956, the USSR granted North Korea a combination loan and grant worth \$117,000,000, the value of which was disclosed without fanfare in late 1957.

(Prepared by ORR)

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LOCAL PARTY LEADERS PURGED IN EAST CHINA PROVINCE

The announcement on 9 March that four top-level officials in Anhwei Province had been expelled from the Chinese Communist party and another severely censured as "rightist" continues Peiping's methodical campaign to purge unreliable elements from the party and to tighten discipline throughout its ranks. All of the Anhwei men, including Li Shih-nung, a provincial party secretary who held the concurrent post of deputy governor, were fired for obstructing public security work. An announcement of their dismissal from their government jobs can be expected shortly.

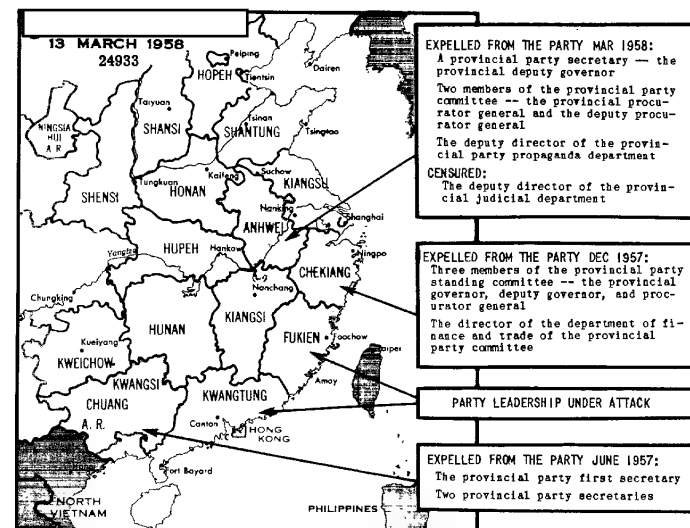
The southern province of Kwangsi--now called the Kwangsi Chuang Autonomous Region--was the first to be hit by the party purge. Last June, soon after

by the drive against nonparty "rightist" critics during the summer, but following a call by Secretary General Teng Hsiao-ping in September for a tougher line on the question of party purity, the leadership turned again to the task of cleansing the ranks.

In December it was announced that four leading members of the Chekiang provincial party organization, including three men on the standing committee--two of whom may have been party secretaries--had been expelled for attempting to undermine the party leadership.

Official comment on the Chekiang incident underscored Peiping's concern over the

growth of local resistance to central party control in certain East and South China provinces. The problem seems to be particularly troublesome in Kwangtung and was extensively discussed at a recent Fukien party congress, but no heads have rolled in either province as yet. Local party leaders in these provinces, and perhaps also in some others, are likely targets for sharp disciplinary action prior to the next national party congress which will probably be held within the next three or four months.



the beginning of the drive to correct mistakes in party work, the party first secretary, two secretaries, and a number of lesser officials were expelled for offenses allegedly committed the previous year. The regime's attention was apparently diverted

Officials connected with the courts and public security matters appear to be most vulnerable. A People's Daily editorial last fall warned that many "rightists" were still hidden in judicial and public

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security organs and complained that these "sharp points and edges" of Communist rule had been dulled. The Anhwei purge victims were specifically charged

with having handled "rightist" opponents leniently and permitting more than 2,500 "counterrevolutionaries" to escape punishment. [REDACTED]

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JAPANESE GOVERNMENT FACES PROBLEM ON TRADE ACCORDS WITH PEIPING

The recent signing in Peiping of controversial trade accords by Japanese trade representatives confronts the Kishi government with a major policy decision regarding Communist China. Although the trade agreement and memorandum for exchanging trade missions were negotiated by private Japanese interests, they require official approval, which if granted would establish quasi-diplomatic relations between Tokyo and Peiping.

The one-year trade agreement provides for approximately \$100,000,000 worth of trade each way. The head of the Japanese delegation says this contract supplements a five-year barter agreement for an exchange of \$280,000,000 worth of Japanese steel products for Chinese industrial raw materials. Trade goals set for the coming year, although above present levels, appear within reach, but they could undermine Japan's adherence to COCOM controls against Communist China.

The one-year agreement for the first time provides for direct settlement of accounts between foreign exchange banks of the two countries, pending a payments agreement between state banks. The memorandum permits an exchange of trade missions which would have certain diplomatic privileges and the right to fly national flags.

Prime Minister Kishi has criticized the Japanese signatories for violating instructions by agreeing to terms which only the government can authorize. He has said he "finds it difficult" to approve the accords, particularly the provision for flying national flags.

Since national elections must be held no later than February 1959, Kishi must consider the accords in the light of critical domestic pressures for increased trade on the one hand and jeopardy to Japan's ties with the United States and Nationalist China on the other. Under present circumstances, Tokyo probably will be forced to compromise its position.

The political posture of the Peiping regime will be enhanced should the Kishi government permit a Chinese Communist trade mission to be established in Japan through which efforts would be made to weaken and ultimately break Japan's ties with Nationalist China.

If Tokyo disavows the trade mission terms, the entire trade agreement would be voided and Peiping could claim that Kishi had sabotaged the Communist effort to bring about friendly relations and trade. The Chinese Communists, moreover, would probably permit Sino-Japanese trade to dwindle in order to intensify pressures on Kishi for an agreement on Communist terms. [REDACTED]

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SHAKE-UP EXPECTED IN CHINESE NATIONALIST GOVERNMENT

The semimonthly Free China, published on Taiwan, on 1 March accused the ruling Kuomintang party of profiting from manipulation of foreign exchange controls. It cited a recent case in which the party treasury made a profit equivalent to \$900,000 from selling foreign exchange to commercial firms at rates more than double the existing exchange rate. The sale was allegedly undertaken by the Taiwan Supply Bureau at the request of the party's Finance Committee, headed by P. Y. Hsu--who also is minister of finance. American officials on Taiwan have confirmed the details of this story from other sources.

President Chiang Kai-shek is known to have ordered the Ministry of Justice Investigation Bureau last December to investigate corruption in the government economic agencies. Corruption was discovered in the Foreign Exchange and Trade Control Commission, and the bureau's report on the commission's irregularities has been passed to Chiang.

Meanwhile, a dispute concerning the advisability of maintaining the complicated multiple exchange rate system has been continuing within the

Nationalist Government. So far, there are no indications that action will be taken which will significantly alter the system. Chiang Kai-shek, concerned over the threat of inflation, may be reluctant to abandon the revenue-producing multiple rate system.

Whether the Free China article will discredit Finance Minister Hsu, who has been an effective opponent of exchange rate revision, remains to be seen. The article will presumably add to pressures to revise the system and to eliminate opportunities for abuse. The article's revelations will further embarrass the Nationalist Government, which already has lost face as a result of the recent impeachment of Premier O. K. Yui.

Chiang Kai-shek will almost certainly dismiss some officials, and may accept Hsu's resignation. Abolition of certain overlapping government agencies was agreed on last week as a preliminary to sweeping changes. A commission has been established within President Chiang's office to recommend reforms within six months. In addition, a cabinet reshuffle is expected by many observers, possibly in late spring.

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PAKISTANI GOVERNMENT FACES NEW THREATS IN PROVINCIAL ASSEMBLIES

Pakistani Prime Minister Noon, whose Republican party government is supported by H. S. Suhrawardy's Awami League, survived opposition attacks during the budget session of the National Assembly. He and his government, however, are likely to be attacked again during the current East and West Pakistan

provincial assembly meetings. The opposition Moslem League, with the encouragement of President Mirza, may attempt to topple the Republican government in West Pakistan by party realignments which could also shift the balance of power in the National Assembly. The Awami League government in East

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Pakistan apparently faces a less serious challenge; a combination of parties there seems unlikely to shake its position in the National Assembly.

Noon's government was said to have planned new taxes of up to \$75,600,000 during fiscal 1959 to spur Pakistan's economic development program. However, probably fearing for its political future, it actually asked for only about \$20,000,000 in new taxes in the national budget it presented on 27 February. The budget was passed on 10 March despite heated assembly debate and considerable press opposition.

With this hurdle safely past, Noon must now defend himself against efforts by President Mirza to oust his government and replace it, both in Karachi and in West Pakistan, by a Moslem League government supported by Republican defectors and others. The Moslem League seems willing, but it is not yet clear whether either it or Mirza can win enough adherents to make this move during

the present assembly meeting in Lahore.

In East Pakistan, opposition parties as usual are discussing means of overthrowing the Awami League coalition. The opposition seems to recognize, however, that even if it ousted the Awami League, its own internal rivalries would probably prevent it from forming a workable alternative government. By causing the fall of the Awami League, therefore, it would merely encourage imposition of President's Rule--direct administration from Karachi--which it would not welcome in a pre-election year. Awami Leaguers nonetheless are sufficiently worried about the situation to have called Suhrawardy back from Europe, where he had been receiving medical attention.

Mirza, who has at various times antagonized nearly every important political party in Pakistan in his maneuverings for personal power, is finding it increasingly difficult to assert his will in normal political activities.

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SUSPENSION OF CONSTITUTIONAL GUARANTEES IN CUBA

Cuban President Batista's 45-day suspension of constitutional guarantees on 12 March may provoke the most serious threat to his regime since the abortive naval uprising at Cienfuegos last September. Since electoral campaigning is impossible during the period of suspension, the 1 June general elections will have to be postponed, possibly until November. Prime Minister Emilio Nunez Portuondo resigned immediately after guarantees were suspended; most of the other ministers, who resigned at the same time, were reappointed under the premier-

ship of former Foreign Minister Gonzalo Guell.

Batista's decision to suspend guarantees was probably a tactical error. There was apparently not sufficient justification for the action, and it may be construed as a rejection of further efforts by the Roman Catholic hierarchy to achieve a peaceful solution of Cuba's political problems. Rebel leader Fidel Castro had turned down church-sponsored mediation on 11 March and it was believed that church leaders were considering a unilateral approach

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to persuade him to end his 16-month rebellion.

Batista has ordered a sizable increase in the strength of the armed forces, probably to cope with rebel plans to call for a general strike and increased attempts to oust the President by force as well as to control any serious popular protests that may arise from the suspension of guarantees.

Although Fidel Castro's influence has increased recently and his National Labor Front has claimed success in winning worker support, it is improbable, without the support of organized labor, that a general strike attempt would be success-

ful. The powerful Confederation of Cuban Workers (CTC), although it may be relaxing its pro-Batista stand, remains firmly opposed to a politically inspired general strike. The CTC was influential in halting an attempted general strike last August.

There is as yet no indication that army leaders might attempt to seize power from Batista, although the President's strong control over the armed forces may be weakening. During the first week in March, a hundred arrests of military personnel for insubordination and desertion were reported in Oriente Province, and about 40 others in Havana. 25X1

DIFFICULTIES MOUNT FOR PERUVIAN GOVERNMENT

Serious rioting in Lima on 7 March--just five days after the government restored constitutional guarantees--highlights the mounting difficulties which beset President Prado in his 20-month-old attempt at democratic government. The economic stability which has prevailed in Peru in recent years is threatened by worsening economic conditions which are reflected in the accelerated depreciation of the Peruvian currency.

The riot grew out of a "silent march" organized by the small opposition Christian Democratic party in protest against a government limitation on political activity. Strong police measures were required to break up demonstrations which developed when Christian Democratic leaders failed to control a crowd of about 2,000 which included adherents of the heavily Communist-infiltrated Popular Action party. Later, rioting by gangs of youths in several parts of the city resulted in widespread property damage.

The Prado government has suspended constitutional guarantees twice in the past six months following violent demonstrations--one arising from a police strike and one from labor unrest at the site of a \$200,000,000 American copper facility in southern Peru. Although each suspension quieted unrest, the abortive military coups of 24 January and 21 February seem to reflect rising military impatience with the recurrence of disorders.

The underlying factor is economic deterioration resulting from falling prices for mineral products and reduced agricultural production. Since early January, the sol--in recent years one of the most stable currencies in Latin America--has lost about 20 percent of its value in terms of dollars. The consequent impetus to rising living costs is a major cause of the serious popular unrest which some observers compare with that of 1933 and 1948, both years of successful coups. 25X1

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POLITICAL AND ECONOMIC DISCONTENT GROWING IN ERITREA

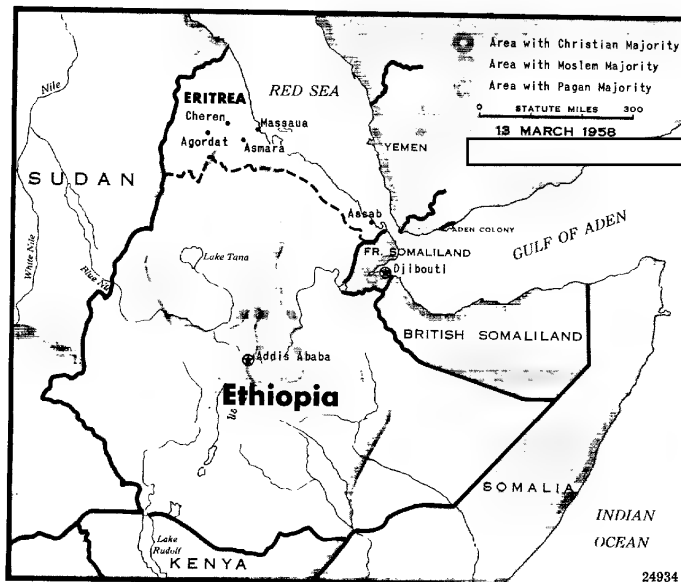
Growing economic and political discontent in Eritrea is reflected in the popular support for a general strike called on 10 March. Political opposition to Ethiopian domination has been growing within the past six months, and there have been several anti-Ethiopian demonstrations.

Eritrea, a former Italian colony, was federated with Ethiopia in September 1952 under a UN-sponsored plan which provided for an appreciable degree of Eritrean autonomy. Since 1952, the Eritreans, who are more advanced economically and politically than the Ethiopians, have complained about Ethiopian abuse of constitutional provisions and encroachment on Eritrean rights. The local legislature is now under firm Ethiopian control, often through force and bribery. Opposition parties are under constant harassment, the economic situation has deteriorated markedly, and banditry is flourishing.

Political opposition is hampered by police surveillance and the absence of experienced leaders. One of the most widely known former leaders is now in exile in Cairo; another is under court order restricting his activities. An emerging leader, Omer Kadi, is closely watched by police and restricted in his movements. An antigovernment movement, the Independence party, is growing, but its influence probably falls far short of the claimed 200,000 sympathizers.

Its main support is among the Moslem half of the population, which resents Christian Ethiopian domination.

The manifestations of Eritrean discontent are increasing. In October, a group of Moslems tried to petition the UN against Ethiopian activities, while in January over 700 persons demonstrated in support of Omer Kadi in Massaua. Shortly afterward, Emperor Haile Selassie was given an unenthusiastic welcome on his first official visit in two years to the Eritrean capital of Asmara, during which security precau-



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tions had to be exceptionally heavy. In early March, a clash occurred in the Moslem city of Cheren between the police and demonstrators who protested the arrest of a political propagandist. The police used tear gas and small-arms fire which injured 17 persons, and the following day a sympathy demonstration was held at Agordat.

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A significant demonstration of discontent began on 10 March when the Eritrean Union of Free Workers called a general strike because of opposition to new labor legislation. The strike effectively curtailed all business activity in Asmara, except for government offices. The strike was well organized; squads of union members roamed the streets preventing nonunion workers from reporting for duty.

At first the government attempted mediation, but on 11 March it used force. The police broke up a crowd in downtown Asmara with rifle and machine-gun fire, wounding at least 50 persons.

In the long run, the growing instability in Eritrea may threaten Ethiopia's control of this province and eventually lead to the involvement of the UN in this problem again.

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PART III

PATTERNS AND PERSPECTIVES

KHRUSHCHEV'S AGRICULTURAL REORGANIZATION

Khrushchev's forthcoming reorganization of the machine tractor stations (MTS's) by the transfer of the ownership of agricultural machinery to collective farms will be the most extensive organizational change in Soviet socialized agriculture since its establishment in the 1930's. When this move was suggested in 1952 as an efficiency measure, Stalin rejected it as a step away from Communism. Now Khrushchev and the party central committee have judged the time to be ripe, and have provided a rationale. Some net gain in efficiency will probably result from eliminating cross-purposes and duplication of effort under the old system. Having been approved by the party central committee, the plan seems out of reach from attack on political grounds alone but may still be subjected to foot-dragging and sniping.

Basic Agricultural Units

Collective farms, state farms, and MTS's have formed the three basic units in Soviet agriculture since the 1930's. The collective farm, the pre-dominate form, was established as a compromise between private ownership and complete ownership by the state. The state farm is considered the highest form of agricultural organization. In recent years the importance of state farms has increased through the organization of new farms in the new lands area and the conversion of some collective farms to state farms. Those farms operate their own machinery.

The MTS's were organized to serve as instruments of state

control over the collective farms and to loan machinery for their use. In the first role, they attempted to enforce compliance with production and procurement plans. In more recent years, they were also charged with the procurement of agricultural products from collective farms.

With respect to the second role, the MTS's in early years probably used the relatively limited supply of farm machinery somewhat more intensively than individual collectives could have done, because the machinery could more easily be moved from farm to farm. This advantage faded over the years, and be-

USSR: BASIC AGRICULTURAL UNITS 1957

	TYPE OF ORGANIZATION	PAYMENTS TO PERSONNEL	MACHINERY	NUMBER
STATE FARM	STATE-RUN	WAGES	STATE-OWNED	5,800
COLLECTIVE FARM	NOMINALLY COOPERATIVE	FLUCTUATE WITH OUTPUT	PRIMARILY RENTED FROM MTS	78,000
MACHINE TRACTOR STATION	STATE-RUN	WAGES AND PAYMENTS IN KIND FROM COLLECTIVES	STATE-OWNED	8,000

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cause of the separation of functions between the MTS's and the collective farms, there was a duplication of effort, particularly in administration, dual responsibility, and a lack of coordination.

Another drawback was that the MTS's, whose payments in kind for work on the collective farms were largely based on the amount and type of work performed, frequently tended to be more interested in the quantity of work performed than in its quality. Collective farms, on the other hand, desired MTS help at the proper time and in the proper amount in order to maximize production. In this conflict of interests, the MTS

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was always in the favored position. The disadvantages of this organization were apparent to members of the American agricultural delegation which visited the USSR in 1955.

Events Since 1952

During the period 1950-52, there was a concerted drive to amalgamate collective farms and thus reduce their number. Soviet leaders reasoned that a reduction in the number of farms, together with an increase in the number of Communists on farms, would simplify the problem of control over collective farm activities. In October 1952, Malenkov announced that the 254,000 collective farms which existed on 1 January 1950 had been consolidated into 97,000.

A campaign was initiated in the fall of 1953 to place additional specialists into practical work in agriculture. At the same time, an order was given to transfer to the perma-

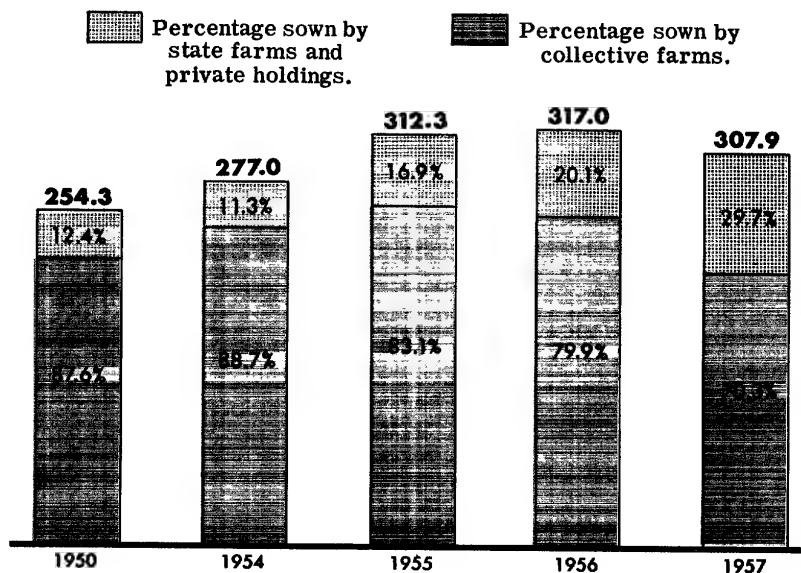
nent MTS payrolls those collective farmers who operated MTS machinery. During 1954 and 1955, about 30,000 Communists were sent to rural areas as collective farm chairmen. In November 1955 still another major shift of personnel was effected with the transfer of agronomists and animal husbandry experts from the MTS staffs to the particular collectives they had been responsible for serving.

Evidence that the collective farms were receiving machinery came from the American agricultural delegation in the fall of 1955. Other indications of machinery allocations to collective farms appeared in 1956 and 1957. An order issued in December 1956 permitted the collective farms to purchase equipment, with the exception of "combines and automobiles."

Closer relationships between the MTS's and collective farms were officially encouraged during 1956-57 by the formation of joint tractor-field brigades.

USSR: DISTRIBUTION OF GRAIN ACREAGE

MILLIONS OF ACRES



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A further step in the same direction was the consolidation of MTS and collective farm managements in a number of cases where the MTS served only one farm. It was against this backdrop of trial and experimentation that Khrushchev made his proposal in January 1958.

Khrushchev's Case

In presenting his theses to the party central committee, Khrushchev argued that the political and economic functions of the MTS have become outmoded now that the "socialist consciousness" of the collective farmers has risen and the collective farms are large and wealthy enough to take over the

tractor repair stations and by finding methods to ensure production of more suitable machines by industry, Khrushchev expects to achieve more efficiency than would result merely from elimination of duplication and dual authority under the former system. He expects to maintain profits to industry in sales of machinery, increase grain deliveries to the state, and see the collectives grow ever more prosperous even while paying for machinery.

In the past Khrushchev has invested heavily in agriculture and raised the farmer's standard of living significantly. His present reorganization will probably be successful if he continues to apply these

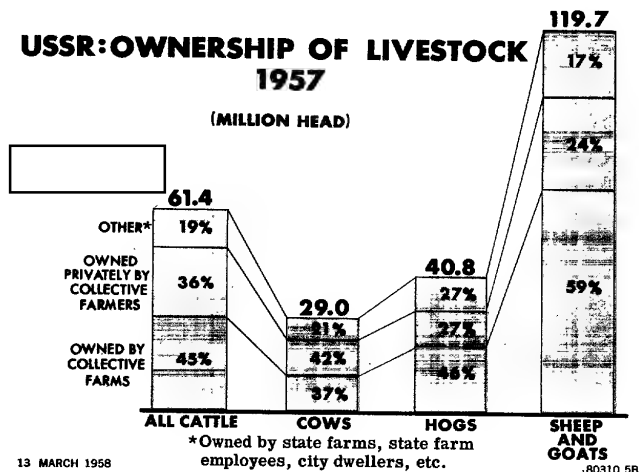
approaches. The increase in agricultural production which seems likely to result from the reorganization would tend to stimulate the growth of the Soviet economy and to raise the standard of living. More favorable conditions should result in Soviet agriculture for Khrushchev's program of overtaking the United States in the per capita production of meat and milk. Probable benefits to be derived from the reorganization, however, do not materially

change the highly unlikely prospects that this program will be fulfilled in the near future.

Questions concerning state procurement, the prices to be paid for these procurements, and the prices and conditions of sale of the machinery were deferred for further study. It is noteworthy that Khrushchev in his original proposal suggested that the MTS's retain their trucks, which may indicate that the MTS's will continue to perform the procurement function, an important instrument of control in the countryside.

USSR: OWNERSHIP OF LIVESTOCK 1957

(MILLION HEAD)



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machinery of the MTS. Khrushchev also rebuffed two arguments raised by "some comrades, chiefly economists." The first, that the means of production should not be under collective ownership, he dismissed as false because Lenin had never viewed state ownership and collective ownership as being opposed to each other. He also said that at this time both collective and state farms should be encouraged, thus refuting the argument that the collectives should be converted immediately into state farms.

By retaining some of the good features of the MTS in the

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Control of the Countryside

Khrushchev recognizes in his theses that the reorganization of MTS's will virtually eliminate one means of party control over the peasants. However, he states that the need for the MTS as an instrument of control has lessened in recent years. The political role of the MTS in demonstrating the superiority of large-scale collective farming has been eliminated since "collective farmers cannot imagine life outside the collective farms." Also, direct party influence over the collective farms has increased significantly in the post-Stalin period.

Party membership in the collectives has increased by 230,000 since 1954 and now 90 percent of the chairmen of the 78,000 collective farms are party members. Since Khrushchev stresses that party and government organizations under the new system must give their "main" attention to "direct supervision of the collective farms," it appears unlikely that the reorganization will result in any significant reduction in party control over the peasants.

Reaction

Recent reports suggest that a sizable minority in the party central committee voted against Khrushchev's proposal when it was presented in late February, but any outright opposition to the proposal now would probably be ineffective since it has been approved by the central committee and is scheduled for early ratification by the Supreme Soviet. The collective farmers themselves will probably view the proposal favorably.

Khrushchev's proposal could have significant political repercussion in the satellites which have failed to liberalize their agricultural policies, particularly East Germany and Czechoslovakia. There is strong evidence that differences over agricultural policy are contributing to the present rift among the East German Communist party leaders. Khrushchev's proposal will provide ammunition for the liberal faction of the party and may widen the differences already existing within the party. [redacted] Prepared by ORR)

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NEW EFFORT TO BRIDGE SOCIALIST-COMMUNIST GAP IN FRANCE

The recent creation of the Union of the Socialist Left may be the most important postwar effort to unify a number of heretofore scattered elements of the French far left and to ally them with the French Communist party. The new organization may be exploited by the Communists in their drive for

unity of all left-wing parties. Long-standing differences among the union's members, however, will probably limit its effectiveness, but its announced policies have a strong potential appeal to left-wing opinion in France, particularly on North Africa, missile bases, and internal social problems. These

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are questions on which the left-center dominated governments of the past two years have pursued mainly conservative policies.

The identification of the leadership of the French Socialist party with the conservative policy the government has been following in Algeria since 1956 has disturbed a growing minority within the party and has encouraged attempts to unify a number of small parties composed of extreme leftists who have heretofore eschewed affiliation with either the Socialist or the Communist parties. While the 12,000-member union formed on 8 December 1957 appears to have little chance of attaining sufficient stature to play a major political role in France, it will further Communist aims by tending to blur the differences between the Socialist left wing and the Communist party.

Ever since the Communist - Socialist - Popular Republican "tripartitism" broke down in 1947, the idea has persisted of organizing a "new left" to attract the dissident minorities within existing parties, the "protest-vote" element among Communist party supporters, and unaffiliated young liberals. Mendes-France came close to achieving a new dynamic liberalism attractive to such a following, and his political eclipse left a gap which Communist sympathizers were able to exploit to set up their own popular front - oriented organization in late 1955.

This group forms the backbone of the present movement and includes Progressives, fellow travelers, and left-wing intellectuals such as Claude Bourdet and Gilles Martinet of the weekly Observateur, Senator Leo Hamon, and Pierre Cot. Bourdet may be in the pay of the Communist party and, as the principal spokesman for the new group, is pushing

Soviet goals which do not bear the Moscow label.

Program

The union hopes to attract unattached or disgruntled leftists and to rally national support for a program aimed basically at uniting all leftist parties into a popular front. Its leaders plan to appeal especially to the younger voters, as they could assure a militancy capable of bringing pressure on both the Socialists and Communists for an agreed program. Aiming at the abolition of capitalism and the installation of socialism, it urges leftist unity of action in domestic politics and in a neutralist foreign policy. The "unity-of-action" plea echoes Communist leader Thorez's recently reactivated invitation to the Socialists and Radical Socialists for unity on the left, and its specific proposals on foreign policy parallel the Communist party's program.

The union seeks a reduction of atomic bases in France and French refusal to participate in any kind of military bloc. Leaders of the union have appeared at recent Communist rallies against missile-base construction and they may be able to capitalize to some degree on the widespread popular sentiment in France for an East-West detente. A more fruitful field of exploitation in the immediate future, however, may be the North African problem.

The union proposes immediate negotiations on Algeria, acceptance of the good offices of Tunisia and Morocco, and a free association of the overseas territories with France. There is some danger that the growing appeal of these proposals, particularly among the Socialists, will combine with the closer cooperation on social and economic issues which was becoming apparent between Communist and non-Communist labor unions last

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fall and further the unity-of-action drive.

Internal Dissension

There is still strong doubt about the ability of the pro-Communist leadership to win the support of the new party for all Communist party objectives and to maintain a coherent following among the groups now associated in the Union of the Socialist Left. The splinter left has a history of dissension and abortive efforts to unify its disparate currents. The problem was apparent at the organizational meeting, when a large minority within the Young Republic party, which has close ties with leftist Catholics and the Christian Workers' Confederation, refused to join the movement for fear of being swallowed up in doctrinaire Marxist struggles.

Despite many similarities, there are important differences of outlook among the groups which agreed to unify. The Movement for the Liberation of the People, which is the strongest entity in the new organization, has mostly a working-class membership, whereas the "new left" is made up largely of intellectuals. Another element is composed of dissident Socialists, and the remainder are ex-Socialists, ex-Communists, and labor unionists. The following of many of these groups will not look with favor on efforts to work closely with the major leftist parties. The Herve-Lecoeur dissident Communist group has not joined the union, reportedly because of Herve's and Lecoeur's uncompromising opposition to the Communist party.

Attitudes of Other Parties

The union goal of a popular front still seems far from being realized. Although there is growing uneasiness among Socialists over their association with

recent events in North Africa and although the party's policy may move closer to the demands of its own minority and the Communists for negotiations on Algeria, there is little likelihood that the Socialists would risk shutting themselves off from the other national parties by establishing formal ties with the Communists, short of a complete debacle in North Africa and a consequent political upheaval in France. Moreover, although some Mendes-France Radicals have been active in the union, Radical party members are not likely to align themselves with its popular-front effort.

The Communist party has officially opposed the various efforts by others to unify the left. It will probably continue this attitude, partly because of the Trotskyite stigma of many of the "new left" founders, but also to avoid antagonizing prospective supporters of the union who might hesitate to back an open Communist affiliation.

Outlook

The support of Observateur assures continuing publicity for the union, which plans the establishment of 65 provincial federations. It will thus be able to influence a far more extensive sector of the population than the individual unaffiliated leftist groups which were largely centered in Paris. The union will probably find at least some acceptance among organized labor, particularly within the Catholic Christian Workers' Confederation which already leans toward unity of action with the Communist-led General Labor Confederation. There are also signs that the union may be initiating a major effort to rally public support for a new Algerian policy through public forums devoted to criticism of Minister Lacoste and the military campaign. This may serve as a build-up for its first statutory congress, planned for May 1958.

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INDIA'S CONGRESS PARTY ONE YEAR AFTER NATIONAL ELECTIONS

Lethargy and factionalism continue to be the main weaknesses of Nehru's Congress party and detract from the popularity the party might otherwise obtain for its noteworthy achievements in expanding India's economy and extending Indian influence in international affairs.

Since the national elections in March 1957, the Indian Government has driven forcefully toward the goals of its Second Five-Year Plan (1956-61). With the best brains of the Congress party concentrated on the task of governmental administration, the party's political machinery continues to be neglected. In almost every state, weaknesses recognized by the party high command as much as two years ago are still present, and some new ones have been added. Provincial party groups still pay little heed to pleas of the high command to regain contact with the people, while hard-working opposition parties are steadily making inroads into Congress territory. The Congress party's efforts at rejuvenation have met with almost no success.

Although the party won 75 percent of the seats in Parliament and 65 percent of the seats in state assemblies during the national elections, it did so with a minority of the popular vote--48 and 44 percent respectively.

Achievements in 1957

During 1957, Congress party members in the government worked hard to make the Second Five-Year Plan a success. Industrial production continued to rise, although more slowly than in 1956. Prices were reduced somewhat and inflationary tendencies controlled fairly well. Large new loans for financing the plan were obtained from the International Bank for Reconstruction and Development,

the United States, Japan, Britain, West Germany, the USSR, and Czechoslovakia. The drain on foreign exchange reserves was cut from \$14,400,000 weekly in September 1957 to \$4,400,000 per week during the first half of February 1958.

In the political sphere, a four-year-old Naga tribal rebellion in eastern Assam State was ended by a settlement satisfactory to most tribesmen. India felt sufficiently secure about Kashmir to release former Premier Sheikh Abdullah, who was jailed in 1953 for "independent" tendencies. India's weight continued to be felt in international affairs.

Internal Party Problems

Urgent problems, mainly concerned with the Second Five-Year Plan, occupied nearly all the time of the top Congress party leaders. Despite constant pleas by these leaders and by party publications, almost no progress was made in rejuvenating provincial party organizations, whose lethargy had been largely responsible for the loss to the Communists of Kerala State and of from 15 to 25 percent of the assembly seats in several of India's most important states during the 1957 elections.

Party factionalism remains the biggest problem throughout India. In almost every state, at least two or three party factions spent most of 1957 vying for control of the state government. In Bihar, Orissa, Punjab, Himachal Pradesh, and Kerala, the situation became so bad that the national Congress leaders had to impose outside supervisory control over the state party--without much progress as yet. The party in Kerala is still apparently disorganized. In Bihar, a large segment of the party may defect to the

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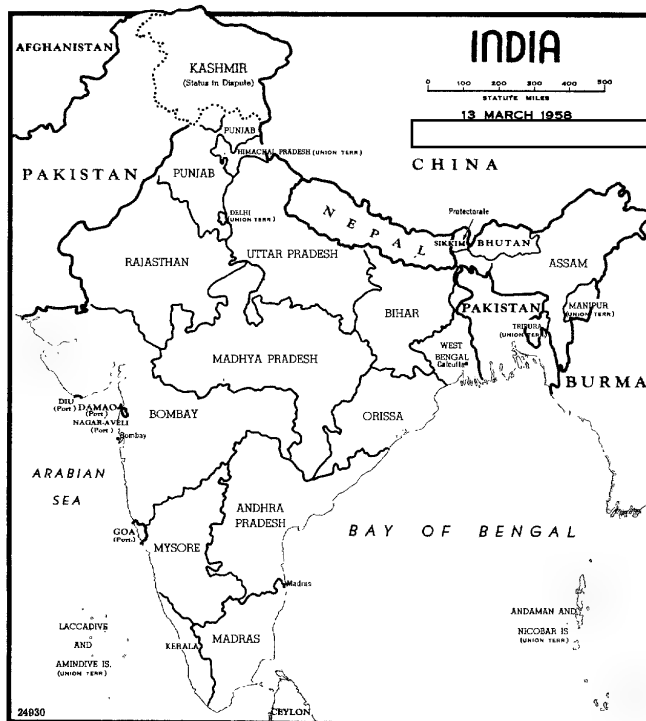
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opposition. Months of bickering between Hindu and Sikh Congress party members may cause the Punjab government to fall in the near future. In West Bengal and Madhya Pradesh, where serious factionalism had not previously existed, new struggles for power developed in 1957 to weaken the party.

The Congress party is still suffering from the effects of the states' reorganization of November 1956, when India's 27 states were reorganized into 13 new states along linguistic lines. In Madhya Pradesh, for example, only eight of 30 state government departments have been moved to the new capital city, and administrative delay and confusion are tremendous. As a result, very little is being accomplished on five-year-plan projects. In Mysore and Andhra Pradesh, enlargement of the states has produced new regional factions in addition to previous ones based on caste. Congress leaders in Bombay have complained that this state--now India's largest in area--is too unwieldy to administer efficiently.

In southern India, where the original Dravidian population has long railed against domination by the "Aryan" north, 1957 and 1958 saw the revival of strong agitation against Hindi as the national language. One visit by Nehru to Madras brought out 50,000 anti-Hindi rioters. This agitation forced the Congress party to pass a resolution during its recent annual session in Assam stating that party policy is flexible insofar as universal adoption



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National Problems

One of the worst problems faced by the Congress party is linguistic agitation. In the Punjab, Hindu-Sikh agitation over the use of Hindi and Punjabi languages led to unrest throughout 1957. Bombay State, which was formed in 1956 only after violent rioting and dissension, is again subject to efforts by linguistic groups to redivide it into two states.

of the national language is concerned.

With the platforms of the Congress, Socialist, and Communist parties all dedicated to a socialist state, caste developed new force as a focus of loyalty in voting patterns in several states. This is especially true in southern India, where caste is taken more seriously than in the north. Discrimination against Brahmins

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has increased in Mysore, and in Madras one Dravidian movement even embarked on a short-lived "Burn the Brahmins" campaign. In Bombay, Marathi-speakers began to consolidate along caste as well as linguistic lines.

Labor, whose leaders were neglected by the Congress party in the last national elections, shows signs of restiveness. The Indian National Trade Union Congress (INTUC), the unofficial labor wing of Congress, lost ground in several areas to the Communist-controlled All-India Trade Union Congress and to the Socialist-led Hin Mazdoor Sabha. These federations in many instances have either infiltrated Congress organizations or built united-front movements in which Congress labor unions have become entrapped. INTUC leadership seemed stagnant and did not proselytize actively in 1957.

Hard-working Communists and Socialists cut into Congress party strength throughout southern India and in Madhya Pradesh, Assam, and Bihar. Communist infiltration of the Tata steel mill complex at Jamshedpur, Bihar, is reported to have reached serious proportions. In traditionally volatile West Bengal, the labor situation is the worst in India. One third of the total man-days lost in disputes during 1957 were in that state. Dissension on a large scale among government workers developed as a relatively new factor in 1957. A strike of over 500,000 persons was narrowly averted in August, and the wage-raise problem is still critical.

State Congress organizations are disturbed that cuts in the Second Five-Year Plan will necessitate elimination of development projects on which the states have counted for increased revenues in 1958-59. Party groups in West Bengal, Uttar Pradesh, and Rajasthan, for instance, are up in arms,

fearing that their prestige will be lessened if major projects are dropped.

The Communists

The Communist party of India, despite factionalism of its own, is posing an increasing threat to the Congress party through revisions in its organization and policies. It is converting itself from a party with a tightly knit hard core to a more broadly based organization with a mass following. It is emphasizing its intention of seeking power through democratic means. In West Bengal, at least, it is making headway in rural areas --previously Congress strongholds--by accepting small landowners into the party.

No serious threat to the Communists has yet developed in Kerala. Communist party membership doubled in 1957 to approximately 218,000 with over half the total party strength being in the southern Indian states of Madras, Andhra, and Kerala. Capitalizing on its new "respectability" the Communist party's hard campaigning in by-elections in provincial areas is winning new support.

In some states such as Mysore and Andhra Pradesh, where Communist or Socialist opposition is either small or badly factionalized, the Congress party continues to retain a predominant position--mainly for lack of active opposition. Elsewhere, however, lethargy and other problems are whittling down Congress party strength. Even in Andhra, opposition parties have won four out of five recent by-elections.

Municipal elections in Uttar Pradesh in late 1957 showed a continuation of serious losses suffered by the Congress party in the national elections. Communists made further gains during 1957 in

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northern Bihar--a state where previously they had been relatively weak. The Congress party also lost a key parliamentary by-election last month in eastern Bombay to a United Maharashtra Committee candidate. His victory indicated invasion of a strongly Congress-oriented area by the opposition linguistic forces of southern Bombay.

Continued stagnation in the Congress party's machinery and further inroads made by opposition groups into the party's territory could, by the time of the 1962 national elections, destroy much of the potential value being created for the Congress by its notable economic and international achievements.

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INTENSIFIED SOVIET ECONOMIC INTEREST IN SOUTH AMERICA

The Soviet Union in recent months has appeared intent on exercising a direct influence in South America, primarily through increased economic activity. Soviet activities in South America to date, primarily designed to exploit the area's intensified economic problems, have been far less extensive than in the Middle East or Asia, but they probably are forerunners of an expanded campaign. Khrushchev, in interviews with Mexican and Brazilian newsmen in December and February in which he publicized Moscow's interest in closer economic and political relations, said that the possibilities of increasing the Soviet Union's trade with Latin America "remain untapped to a great degree."

Soviet objectives in South America are to weaken the influence of the United States, expand diplomatic and commercial relations, and lay the groundwork for eventual Soviet political and ideological gains. Apparently in the belief that bold efforts might arouse South American apprehensions, and provoke US countermeasures, Moscow has approached the area cautiously and has concentrated its efforts in those states where the surplus of foreign exchange commodities presents

a situation conducive to successful Soviet exploitation.

Although regarded by Moscow as a colonial or semicolonial area, South America has not received the same priority in Soviet foreign policy as other countries in that category because its location, its strong economic and cultural bonds with the free world, and its defense pacts with the United States have led it to resist Soviet overtures. In early 1956, Foreign Minister Shepilov described these countries as "raw material and agrarian appendages of the powerful American monopolies."

In February 1958, Khrushchev said that Soviet trade with other Latin American countries could equal the nearly \$180,000,000 level achieved with Argentina in the last four years, "but for this it is necessary to have favorable conditions, that is, normal diplomatic and trade relations." In all of Latin America, the USSR has diplomatic missions only in Argentina, Mexico, and Uruguay. The satellites maintain diplomatic or consular representation in these countries and also in Bolivia, Brazil, and Colombia. Moscow has not made the conclusion of

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economic agreements conditional on the establishment of diplomatic relations, but has used hints of attractive offers to stimulate interest in diplomatic relations.

The USSR has attempted to exploit the situations of countries where certain state-owned industries are unable to obtain Western credits on satisfactory terms.

Brazil

Khrushchev took the occasion of an interview with two Brazilian newsmen last November to publicize Moscow's interest in resuming commercial and diplomatic relations with Brazil. Just previously Soviet delegates in the UN had approached the Brazilian representative with a request for renewed diplomatic ties.

The USSR had made no direct overtures to Brazil, apparently awaiting the government's response to Khrushchev's bid and to satellite trade offers, which appeared simultaneously with a campaign by local Communists and Nationalists for re-establishing commercial and diplomatic relations with the USSR. Poland is supplying Brazil with \$30,000,000 worth of steel rails and has sold at least two merchant ships and, allegedly, has offered to construct a steel plant using some Soviet equipment and financing. The Brazilian press, reflecting widespread concern over falling coffee prices and the related foreign exchange crisis, has

given heavy play to both real and imagined trade opportunities with the bloc.

An extensive and apparently sobering anti-Communist campaign by the Foreign Ministry appears to have dimmed the possibility of Brazil's renewing diplomatic relations with the USSR, but there is still considerable pressure from the Congress and the press for exploring trade opportunities with the bloc. Official studies on the usefulness of such trade are under way, and the Foreign Ministry, possibly foreseeing the likelihood of formal trade ties, has been discussing ways of tightening the country's presently inadequate security measures.

Argentina

Soviet Deputy Minister of Foreign Trade Kuzmin on 18 January received in Moscow an



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Argentine government trade delegation seeking to purchase electronic and petroleum equipment with the approximately \$20,000,000 it had accrued under bilateral trade agreements with the bloc. On 29 January TASS announced that the USSR would supply Argentina with \$5,000,000 worth of Soviet goods, including mining equipment, steel rails, and locomotives, and that an additional contract of \$3,000,000 to \$4,000,000 awaited signature. Moscow is now studying Argentine offers to purchase \$30,000,000 to \$40,000,000 worth of goods, including fuel oil.

The Soviet Embassy in Buenos Aires announced to the press on 9 January that Soviet commercial organizations could furnish Latin American countries with diverse industrial equipment for petroleum and power industries. The release further stated that if proper understanding were reached, the USSR could provide complete installations for companies and help in the preparation of Latin American specialists without requiring that any rights in the administration of those enterprises or participation in profits be granted.

The USSR sent an impressive exhibit of oil equipment and other machinery and 40 technicians to the 50th anniversary exposition of the Argentine state oil monopoly in January. It is reported that 29 of the technicians plan to remain in Argentina, ostensibly to sell equipment, although Argentine efforts to buy such equipment in Moscow were unsuccessful.

Uruguay

Uruguay's vocal opposition to US trade policies and its deteriorating economic situation have made it an easy target for bloc penetration. Recently, there have been indications that the bloc economic

offensive in Uruguay has been intensified, and that the USSR has played a major role in this effort. In January, the Soviet commercial attaché in Uruguay was reported to have offered a barter agreement by which the USSR would supply trucks and machinery in exchange for meat--of which there is a shortage for export. The Soviet officials stated on 18 January, however, that extension of Soviet trade was dependent on Uruguayan acceptance of Soviet oil bids submitted in early December through an Uruguayan firm. Soviet oil has been rejected in the past because it did not meet local specifications.

It is possible that the USSR made its not altogether attractive offers solely to draw attention to recent efforts by American oil companies to collect overdue oil payments and recent closures of US-owned meat packing plants in Montevideo, and to encourage Uruguay to ratify a trade treaty signed with the Soviet Union in 1956.

The USSR, largest single buyer of Uruguayan wool, stated in January that all future wool purchases would be made directly through the Soviet Legation in Montevideo rather than as previously through third countries. The new procedure, which does not promise an increase in Soviet purchases, would give the USSR greater influence in the country by forcing it to accept Soviet terms of payment.

Colombia

The first outward sign of success for the newly intensified Soviet economic efforts in Colombia is the government's agreement to purchase 20,000 tons of Syrian wheat through Soviet trade representatives in exchange for coffee. During semiofficial Soviet-Colombian trade negotiations in January,

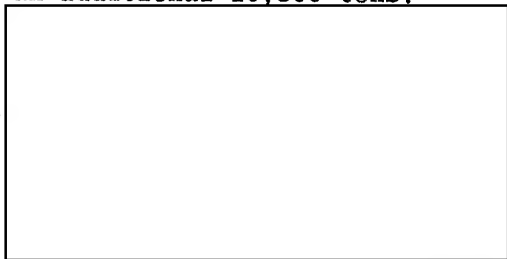
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Soviet commercial agents proposed that the USSR install a permanent trade representative in Bogota, an offer rejected by the Colombian foreign minister,, and participate in the Colombian Machinery Fair.

Chile

Declining copper prices have prompted Chile to revise its long-standing policy of refusing to export copper to the Communist bloc. In the past two months, it has been negotiating sales to the bloc expected to total more than \$20,-000,000. It has indirectly sold 1,500 tons to the USSR, and is considering selling it an additional 10,300 tons.

Bolivia

The cessation of US stockpiling and recent Soviet tin sales in the free world have contributed to a critical soft-

ness in tin prices which threatens the Bolivian economy. Two Bolivian Communist party officials recently returned from Moscow claiming that the USSR was ready, if the Bolivian Government requested, to supply smelting plants and technicians for all classes of minerals, as well as petroleum equipment with long-term payments. Communist-dominated labor groups have attempted to increase the impact by demanding that the government accept the alleged offer.

Other Communist activities in South America help to advance Soviet economic and political objectives. Local Communist propaganda has pictured the USSR as a great potential market for the growing list of depressed South American raw materials and as a country eager to supply industrial equipment on easy credit terms. Although the governments of some of the countries appear to be making use of this propaganda to call US attention to their foreign exchange problem, the apparently Soviet-inspired internal agitation, in combination with future attractive bloc offers, could persuade the governments at least to explore the possibilities. [redacted] (Concurred in by ORR)

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